

---

The Business SA  
Survey of Business  
Expectations

MARCH  
QTR 2023

---

Powered by

**WilliamBuck**  
ACCOUNTANTS & ADVISORS

Business  
now



**Business SA**  
Chamber of Commerce  
and Industry South Australia

Your success  
is our business.



# Contents

## **THE ECONOMY**

Business Confidence ..... 4

Economic Expectations ..... 6

## **BUSINESS CONDITIONS**

Conditions Index ..... 7

Underlying Business Performance Indicators ..... 8

Case Study: Build Clean ..... 14

## **LABOUR MARKET**

Labour Shortages ..... 16

Interest Rates ..... 18

Inflation ..... 19

Cybersecurity ..... 20

Population ..... 21

Business Advice ..... 23

Volunteering ..... 25

**A WORD FROM WILLIAM BUCK** ..... 28

**ABOUT BUSINESS SA** ..... 30

# The Economy

## BUSINESS CONFIDENCE

Optimism maintained,  
with the Index almost  
out of negative territory

**96.9 pts**  
South Australian Confidence Index

Business SA's Business Confidence Index measures how South Australian businesses expect the state and national economies to perform over the next 12 months. Now in its 43rd year, this survey is the longest-running in the state.

**83.7 pts**  
National Business Confidence Index

A score of 100 is neutral, with 33 the lowest and 166 the highest.

The March 2023 quarter saw the South Australian Business Confidence Index increase by 5.8 points, following rises of 11.8 points (September quarter 2022) and 4.5 points (December quarter 2022). The business community's optimism has now been maintained for three consecutive quarters and, at 96.9 points, the Business Confidence Index is almost out of negative territory. Despite factors outside their control, including 10 consecutive interest rate increases since April 2022 (an 11th increase was announced shortly after the survey period), escalating energy prices and inflation, business operators remain resilient and positive about the future.

On the other hand, the National Economic Confidence Index is marginally down from the December 2022 quarter. A decrease of 1.1 points lowered it to 83.7 points.

The more positive response to the local economy could be influenced by the South Australian State Government's prioritisation of large-scale events, such as the VAILO Adelaide 500, AFL Gather Round and LIV Golf, which all took place between December 2022 and April 2023. An overwhelming number of business operators surveyed (77.9%) viewed large-scale events as beneficial to business in the state. There are hard numbers behind this positivity - the AFL

**South  
Australian  
Confidence  
Index**

**5.8**   
points up from December  
quarter 2022

**1.9**   
points down compared  
to March quarter 2022



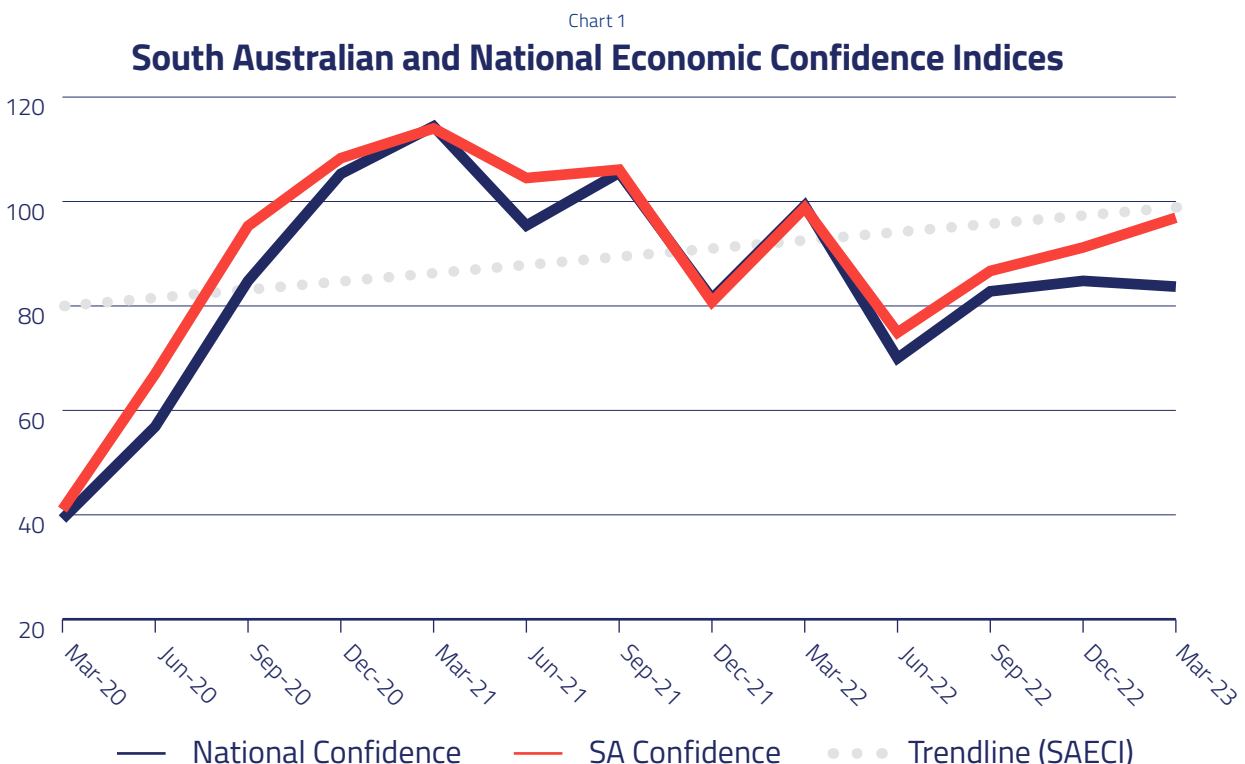
Gather Round delivered an estimated \$80 million boost to the state's economy. Sporting events have been linked to a feel-good factor by researchers behind the best-selling book *Soccernomics* who found that "After a country hosts a soccer World Cup, its inhabitants report increased happiness."

Business SA is aware that such events are more beneficial to certain business sectors and businesses located in and around the CBD. Our Policy and Advocacy team will discuss with the state's decision-makers how future events could be planned with regional businesses in mind.

Another contributing factor could be the AUKUS announcement, which is expected to bring \$2 billion in infrastructure investment into South Australia over the next four years and billions more in the next three decades, with total project costs estimated at \$368 billion.

The recent performance of the state's economy is yet another reason for this optimism. For the past two financial years, growth of South Australia's Gross State Product (GSP) in real terms surpassed Gross Domestic Product (GDP) at the national level. South Australia's GSP increased by 5.1% compared to national GDP at 3.6% in 2021-22, and by 4.7% compared to 2.2% in 2020-21. According to the latest CommSec State of the States Report, in the March quarter South Australia's economy was also the joint-second best performing economy in the country with Queensland, trailing only behind Tasmania.

The outlook for the national economy, however, has dimmed in the wake of interest rate hikes, inflation and global factors. The International Monetary Fund expects the Australian economy to grow 1.6% this year and 1.7% in 2024, while Deloitte Access Economics forecasts respective growth of 1.5% and 1.2%. These forecasts represent the weakest growth outside the pandemic and the recession of the early 1990s.



## ECONOMIC EXPECTATIONS

59.3% of businesses surveyed expect interest rates to continue rising compared to 88.1% who thought this last quarter. This is likely because the Reserve Bank of Australia (RBA) paused increases during the survey period in April 2023. Although many analysts did not expect a further rate rise the following month, the RBA delivered a 25 basis points increase in May.

Similarly, 43.4% of respondents expect inflation to increase this quarter, compared to 68.6% who thought the same last quarter. Federal Treasurer Jim Chalmers is of the opinion that “inflation has passed its peak” but does not expect it to fall any time soon, in line with the RBA’s February forecast that inflation would not drop to the 2–3% target before 2025. Some economists, are hopeful that inflation will decrease to 4% by the end of 2023.

Recent Australian Bureau of Statistics (ABS) data shows South Australia’s unemployment rate at 3.7%, a new historic low with the national unemployment rate staying at 3.5%. Just over half of businesses surveyed (55.1%) expect unemployment figures to remain the same through the June quarter.

Over the March quarter the Australian dollar was steady against its US counterpart, with a low of 65.7 cents and a high of 71.5 cents. This was a stronger performance than last quarter, which saw the AUD fluctuate between 59.6 cents and 62.7 cents.

	Decrease (%)	Same (%)	Increase (%)
Interest rates	6.5	34.1	59.3
Inflation rate (CPI)	19.2	37.4	43.4
Unemployment rate	13.1	55.1	31.8
Value of \$A (against \$US)	30.8	52.3	16.8

General  
business  
conditions

5.0

points up from  
December quarter 2022



103.7

points expected for  
June quarter 2023

# Business Conditions

## CONDITIONS INDEX

With an increase of 5 points, the General Business Conditions Index has now been in the positive territory, above 100 points, for three consecutive quarters.

# 105.9 pts

General Business Conditions Index

Demand remained steady, with the Total Sales/Revenue Index showing a marginal increase of 0.3 points from the last quarter. Recent ABS data, at the national level, also shows that consumers are reining in spending, given rising interest rates and increased costs of living. Retail sales fell in December 2022, for the first time in a year, followed by a rise of 1.8% in January and small increases of 0.2% in February and 0.4% in March. Profitability similarly remained steady, increasing by 0.6 points during this quarter.

# 105.5 pts

Total Sales/Revenue Index

The Average Selling Price Index dropped from 121.2 to 113.4 points, despite Cost of Materials and Cost of Overheads indices showing marginal increases, by 0.5 and 0.4 points, respectively. In a positive development, Export Sales increased from 97.9 to 101.6 points. Business SA can testify to this, having issued a record number of export documents for March.

Ahead of the June quarter, respondents expect average wages to increase, considering the current rates of inflation and the tight labour market. Taken together with expectations that orders received and average selling price will remain relatively flat, businesses may expect some turbulence ahead.

Total Sales/  
Revenue

# 0.3

points up from  
December quarter 2022

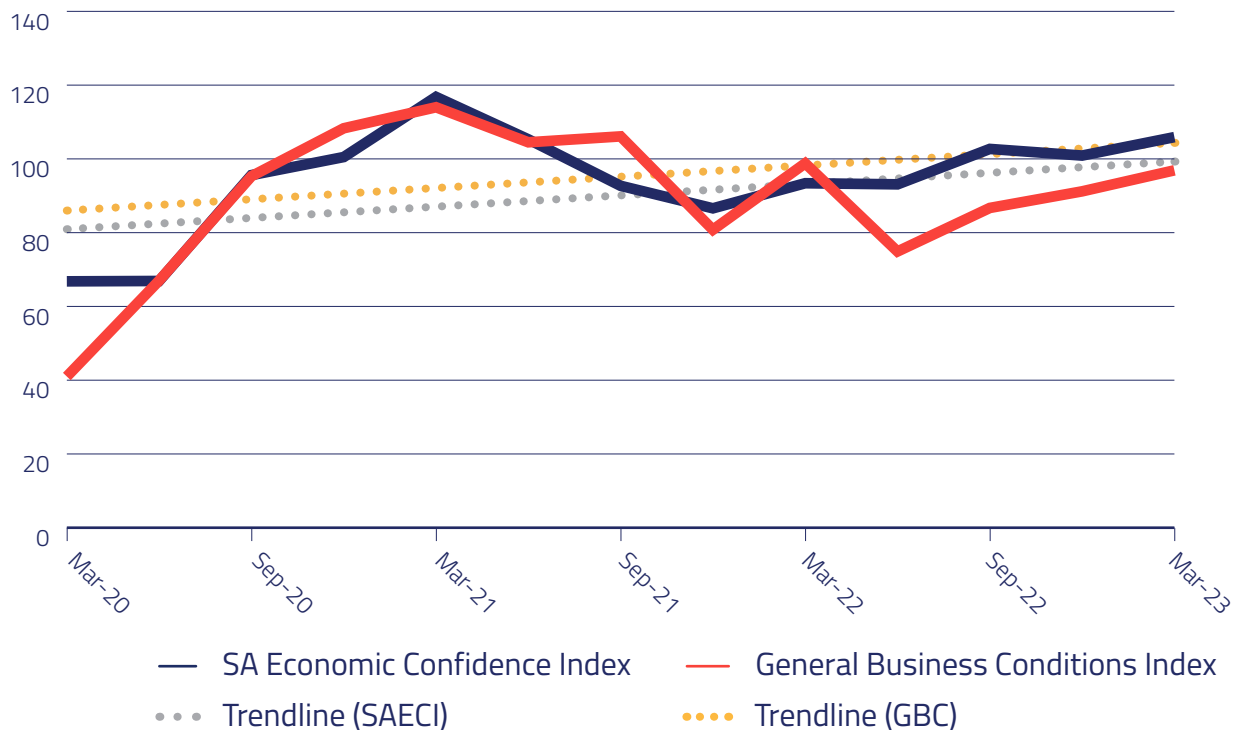


# 108.3

points expected for  
June quarter 2023

Chart 2

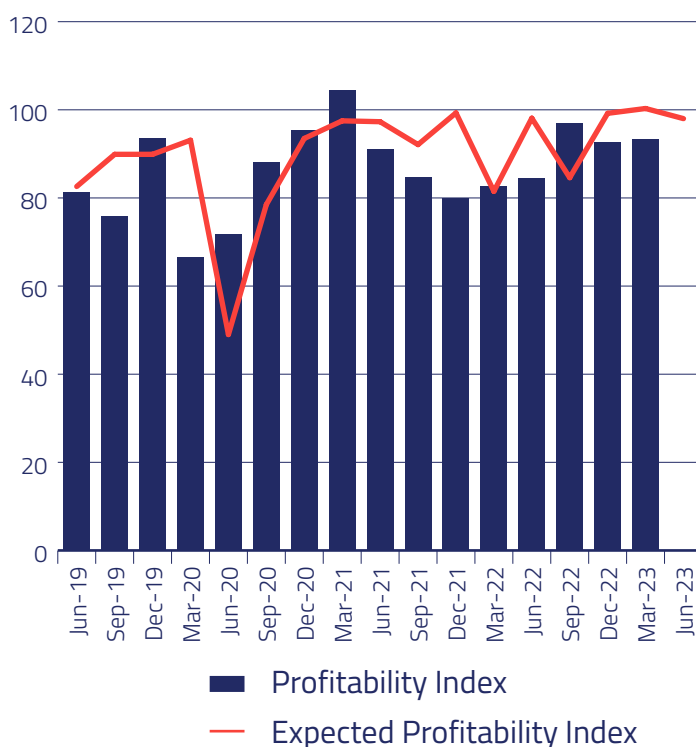
### South Australian Business Conditions



## UNDERLYING BUSINESS PERFORMANCE INDICATORS

Chart 3

### Profitability



# 93.3 pts

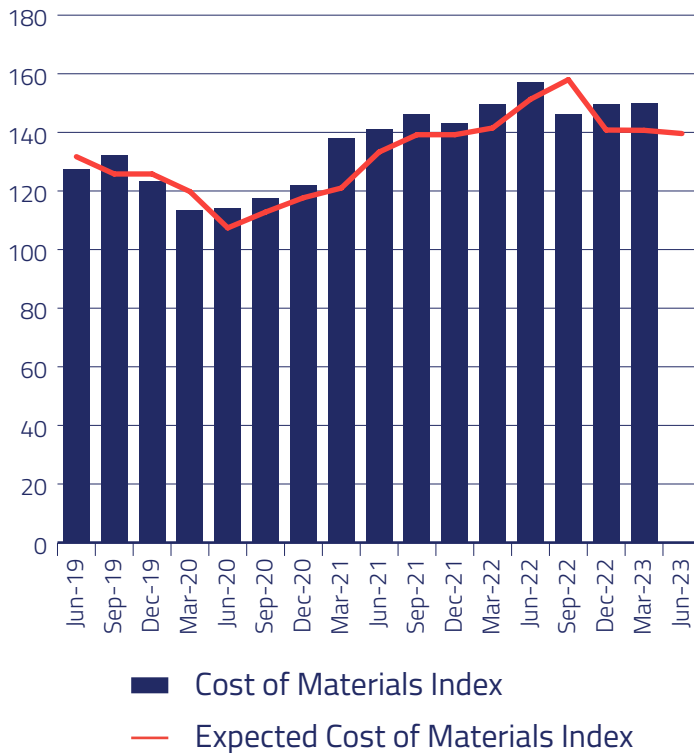
Profitability Index for  
the March quarter 2023

# 98.0 pts

expected for the  
June quarter 2023



Chart 4  
**Cost of Materials**



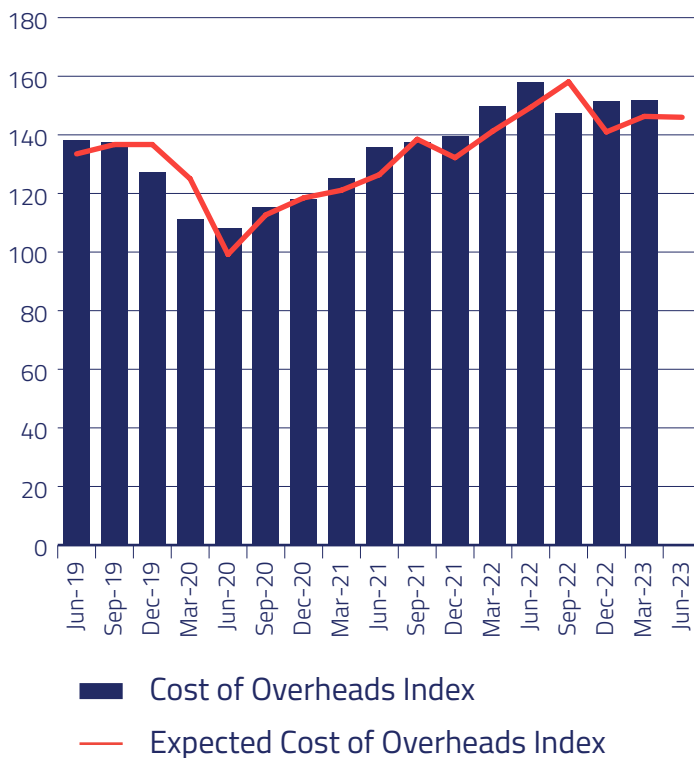
**150.1 pts**

Cost of Materials Index for  
the March quarter 2023

**139.6 pts**

expected for the June quarter 2023

Chart 5  
**Cost of Overheads**



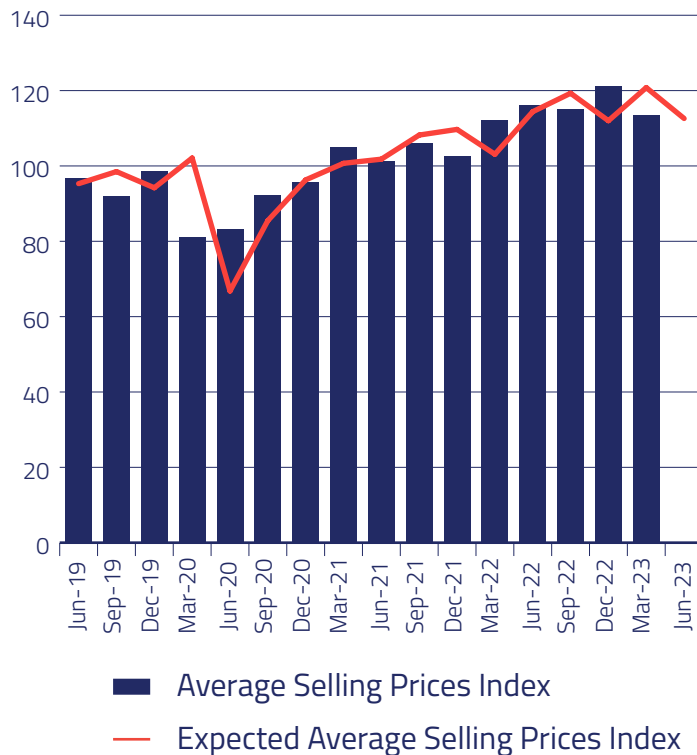
**151.8 pts**

Cost of Overheads Index for  
the March quarter 2023

**146.0 pts**

expected for the June quarter 2023

Chart 6

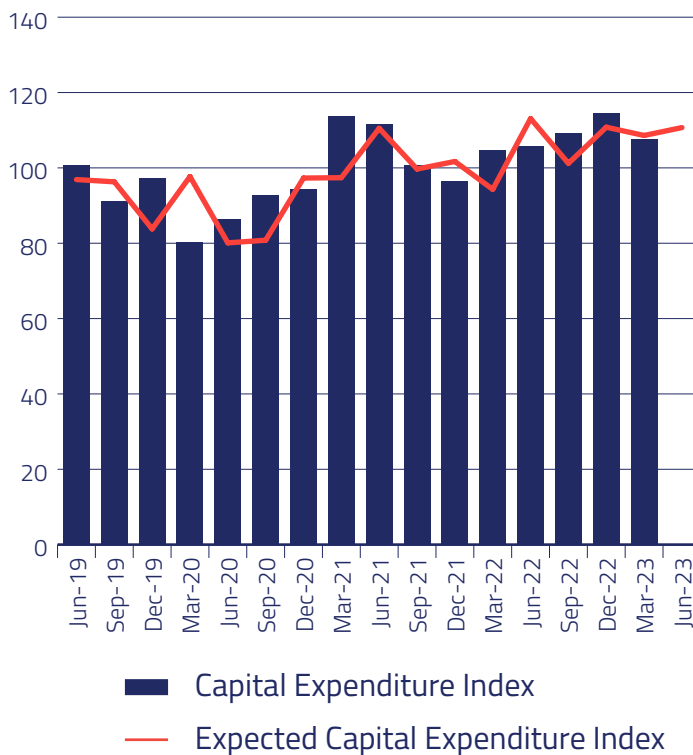
**Average Selling Price****113.4 pts**

Average Selling Price Index for the March quarter 2023

**112.6 pts**

expected for the June quarter 2023

Chart 7

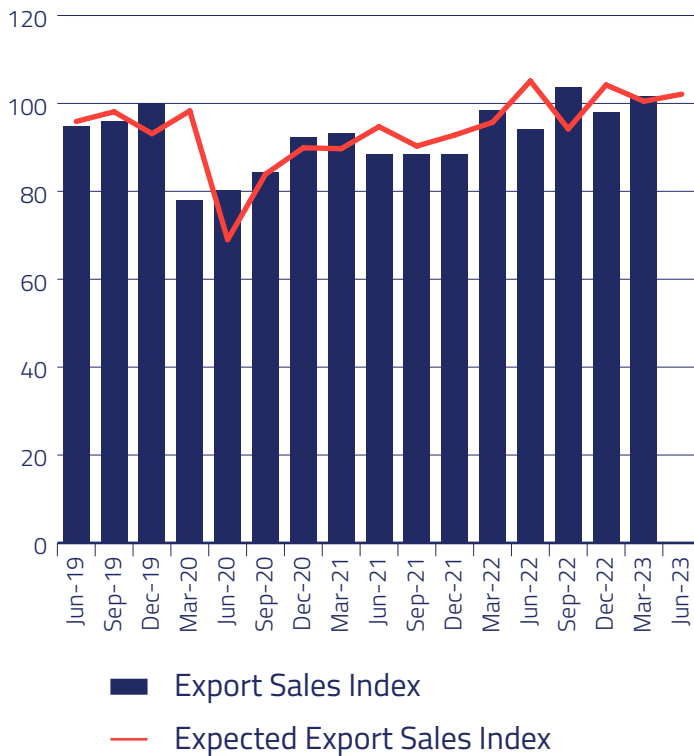
**Capital Expenditure****107.6 pts**

Capital Expenditure Index for the March quarter 2023

**110.7 pts**

expected for the June quarter 2023

Chart 8  
**Export Sales**



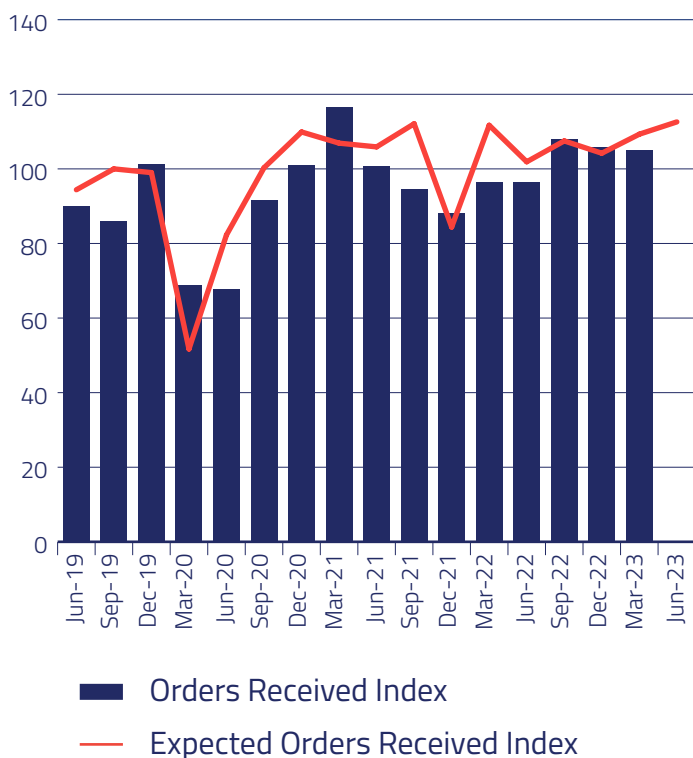
**101.6 pts**

Export Sales Index for  
the March quarter 2023

**102.1 pts**

expected for the June quarter 2023

Chart 9  
**Orders Received**



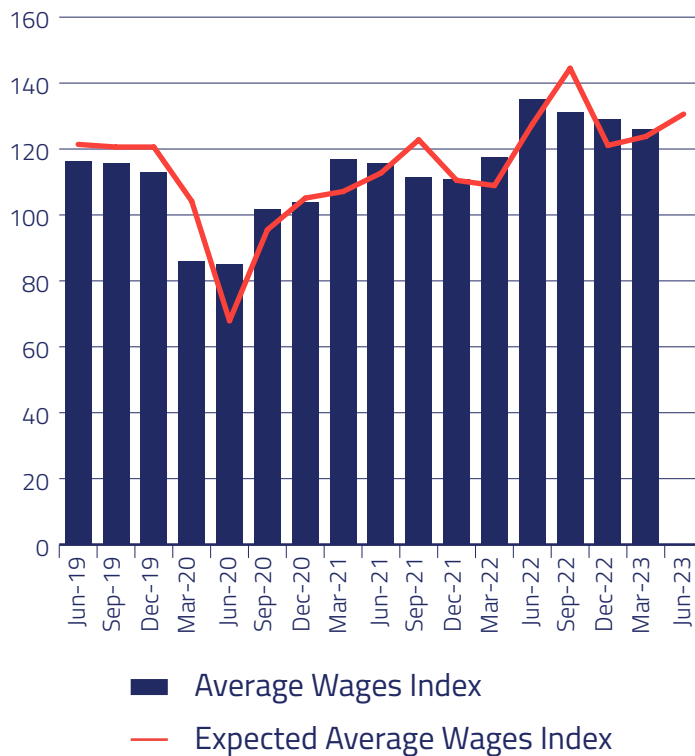
**104.9 pts**

Orders Received Index for  
the March quarter 2023

**112.6 pts**

expected for the June quarter 2023

Chart 10

**Average Wages**

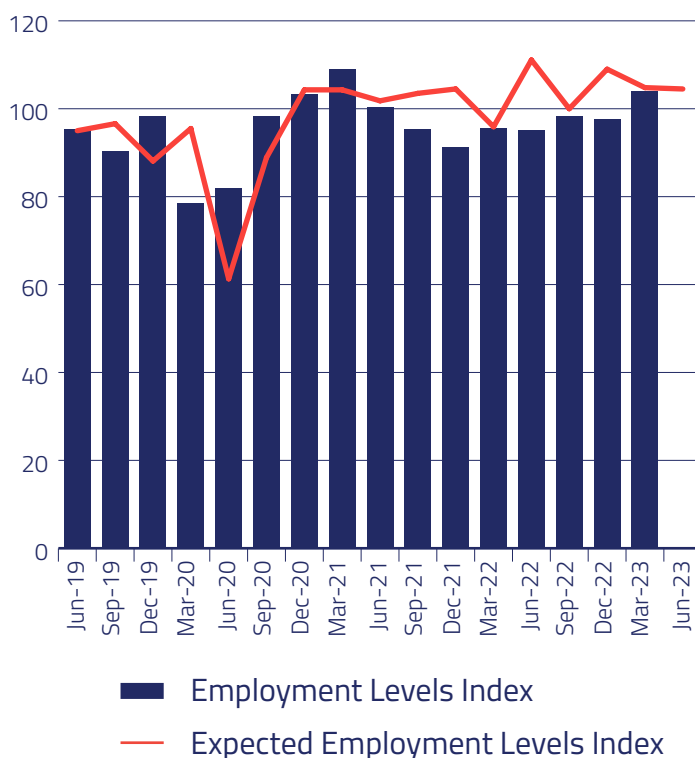
# 126.0 pts

Average Wages Index for the  
March quarter 2023

# 130.6 pts

expected for the June quarter 2023

Chart 11

**Employment Levels**

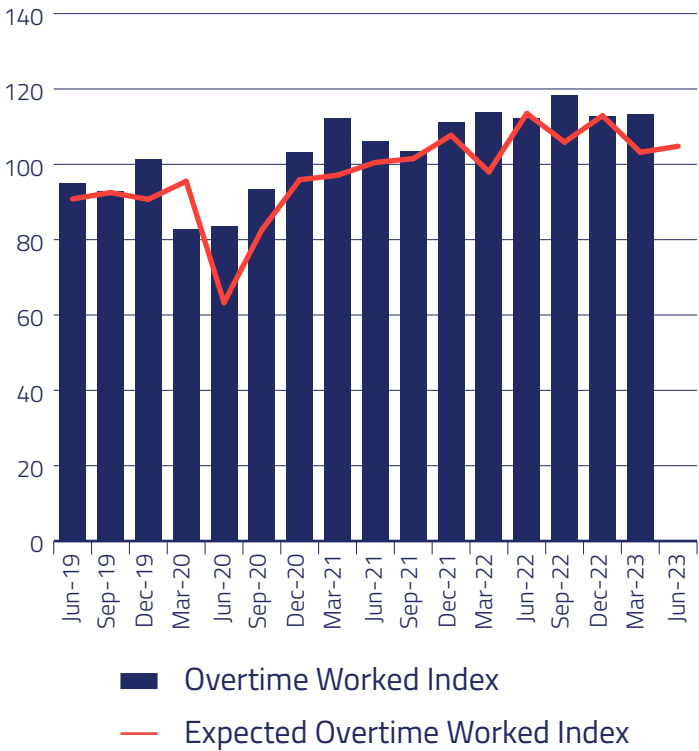
# 104.1 pts

Employment Levels Index for the  
March quarter 2023

# 104.5 pts

expected for the June quarter 2023

Chart 12  
**Overtime Worked**



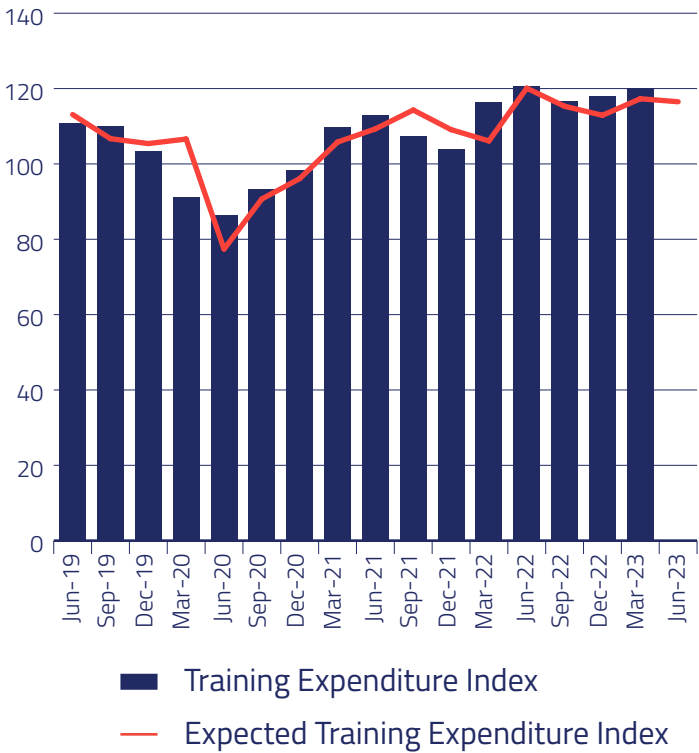
**113.3 pts**

Overtime Worked Index for  
the March quarter 2023

**104.8 pts**

expected for the June quarter 2023

Chart 13  
**Training Expenditure**



**120.2 pts**

Training Expenditure Index for  
the March quarter 2023

**116.5 pts**

expected for the June quarter 2023



## CASE STUDY

---

buildclean

### Cleaning up despite inflationary pinch

Sam Ackland, owner of Build Clean, has found the quintessential level of steady growth following three years on the fast track.

"We have been analysing our operation and discovered a steady incline following a fast-paced growth period".

Build Clean is a construction cleaning company servicing builders in Adelaide, Brisbane, Gold Coast, Sunshine Coast, and Melbourne.

Starting in 2018, Sam and his team of five, with no money in the bank for marketing, took a grassroots approach to establishing their new venture. They found work on digital classified services like Gumtree, Hi-Pages, and Facebook Marketplace, while letterbox dropping, door knocking, and exploring any means to gain a client.

Steadily growing to around 30 staff at the beginning of 2020, Sam attributes the business's significant expansion to the COVID-19 pandemic.

"The perfect storm of operating as a cleaning company and working with the construction industry during a period of low interest rates and the announcement of the home builder scheme, allowed us to grow when many businesses were shut down or heavily restricted."

Now in 2023, Build Clean has expanded across three states and employs over 100 staff.

Although Sam anticipates a slowdown in the construction industry, as a backlog of delayed projects conclude, he is confident Build Clean will continue its growth trajectory. He also plans to expand further, this time into Sydney.

While many businesses are still struggling to source labour and could only dream of expansion, Build Clean is growing off the back of an unskilled workforce.

"We have benefited from the recent increase in migration from overseas, but I know so many in the industries I work with are screaming for help from skilled workers," said Mr Ackland.

Business SA's March 2023 quarter Survey of Business Expectations found 54.9% of businesses are still experiencing labour shortages, with 74.3% of respondents reporting a lack of suitably skilled workers as a main reason for the shortage.

Sam says interest rate increases and other inflationary pressures are starting to pinch but all signs point to continued growth for Build Clean. All being well, it will stay immune from many of the issues currently facing other businesses.

"If interest rates continue to increase, we will experience a decline in demand as people shy away from building homes and renovating.

"It would be very nice to see some stabilisation in interest rates.

"Many of our staff are on awards so we are locked into non-negotiable wage increases, which is something we have to reflect in our prices," Sam added.

According to Business SA's recent survey, 74.2% of businesses are negatively impacted by inflation, with 52% now passing costs on to customers and 38.9% cutting expenses as a result.

With Build Clean already established in three states, and more in the near future, Sam has confidence in his home state of South Australia and looks forward to its continued growth.

"The recent increase in major events has returned our festival-state mentality. People are coming to South Australia and discovering everything we have to offer — and this will encourage more people to move here from interstate.

"I support any measure that will encourage population growth and increase liveability in South Australia.

"Recent announcements of major residential land releases will trigger more construction over the next ten years — positive for Build Clean and beneficial for every South Australian", said Mr Ackland.



# Labour Market

## LABOUR SHORTAGES

Comments from survey respondents tell the story of job applicants having increased salary expectations, which are often out of reach for employers. With unemployment in South Australia at a historical low, the tight labour market will likely continue for the foreseeable future. Business SA anticipates that the recent review of the federal migration system, will lead to reforms, making it easier for small businesses to utilise it and bring in the workers they need. Business SA provided a submission and data drawn from previous editions of Business Now as well as personal experiences from our members to help inform this review.

# 54.9%

of business experienced labour shortages in the March quarter.

# 35.9%

of businesses looking for workers found it harder to source labour in the March quarter compared to the December quarter.

Chart 14

### Businesses finding it harder to source staff and businesses not looking for staff

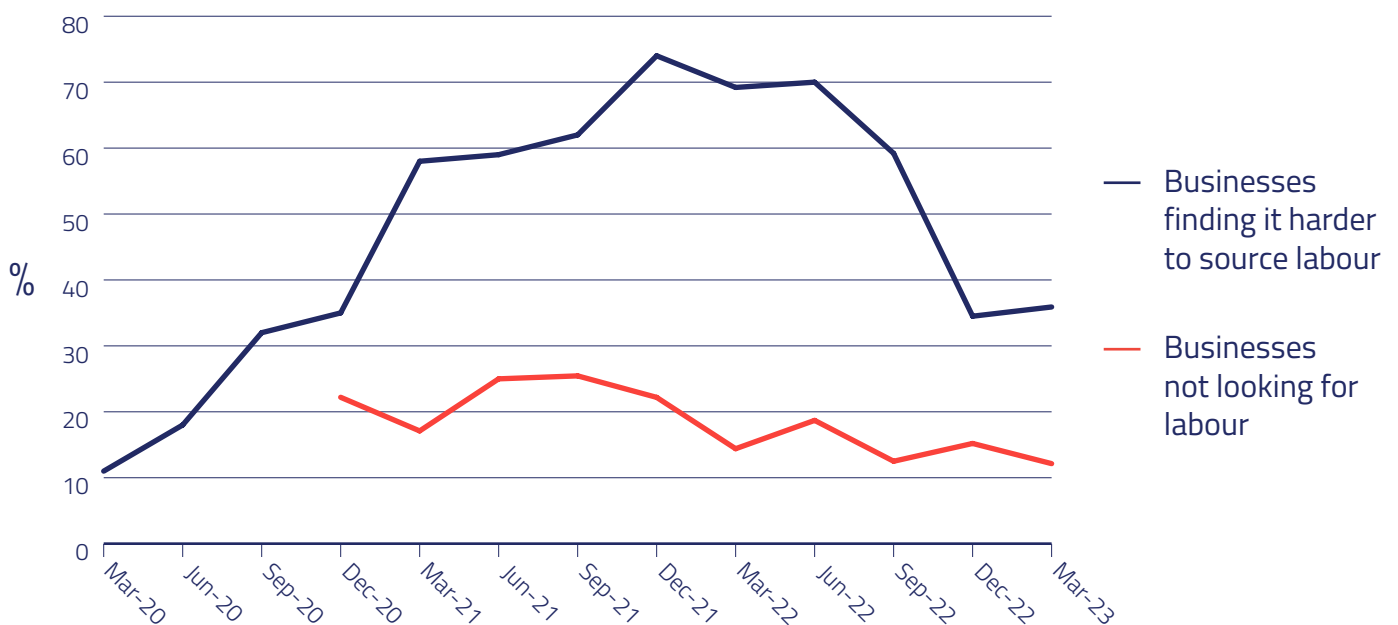
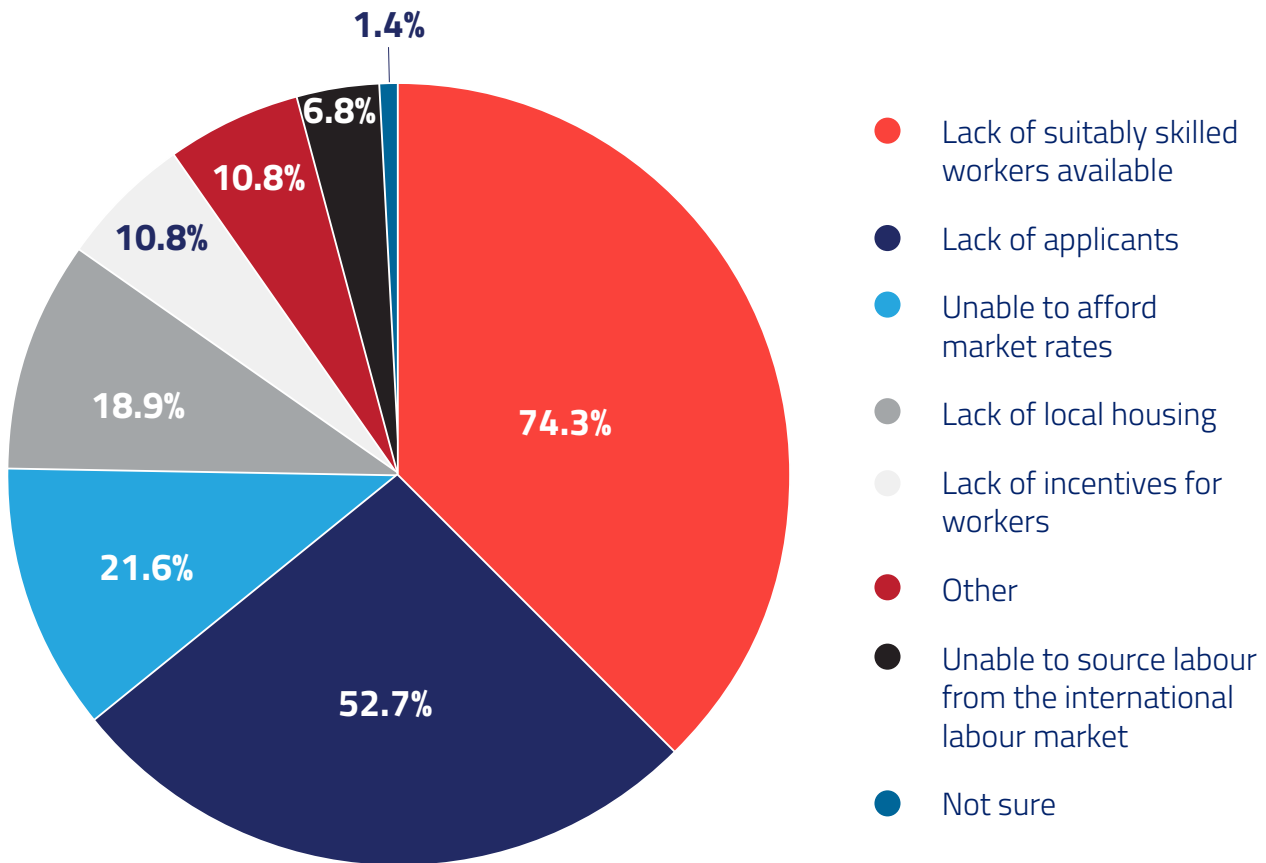


Chart 15

**Why was it harder to source labour?**

***The labour market is tough. We had to switch from a reactive hiring approach to a more proactive approach e.g. an 'always hiring' mindset.***

Professional, Scientific and Technical Services, 20-49 employees

***Being in a regional area, it is proving very difficult to attract labour (even casual labour) away from city jobs.***

Retail trade, 200+ employees

***Applicants' expectations have changed - they expect to be able to work from home and have more flexible arrangements (even when the job does not really allow for it) and also expect more in terms of remuneration, despite not being adequately trained or having the necessary skills and qualifications.***

Financial and Insurance Services, 20-49 employees

## INTEREST RATES

Chart 16

**Do you believe the effect of interest rate increases on your customers has impacted your sales/revenue?**

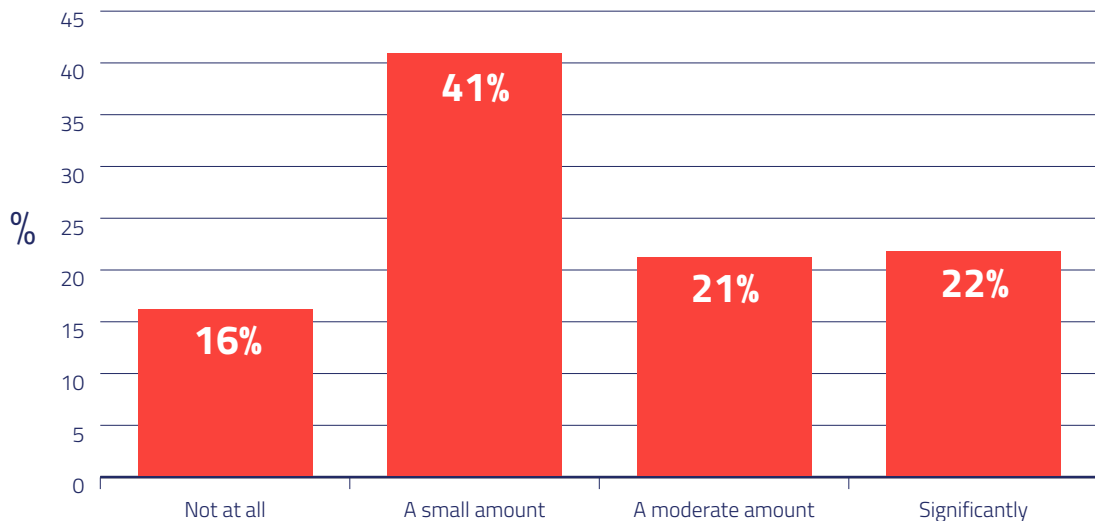
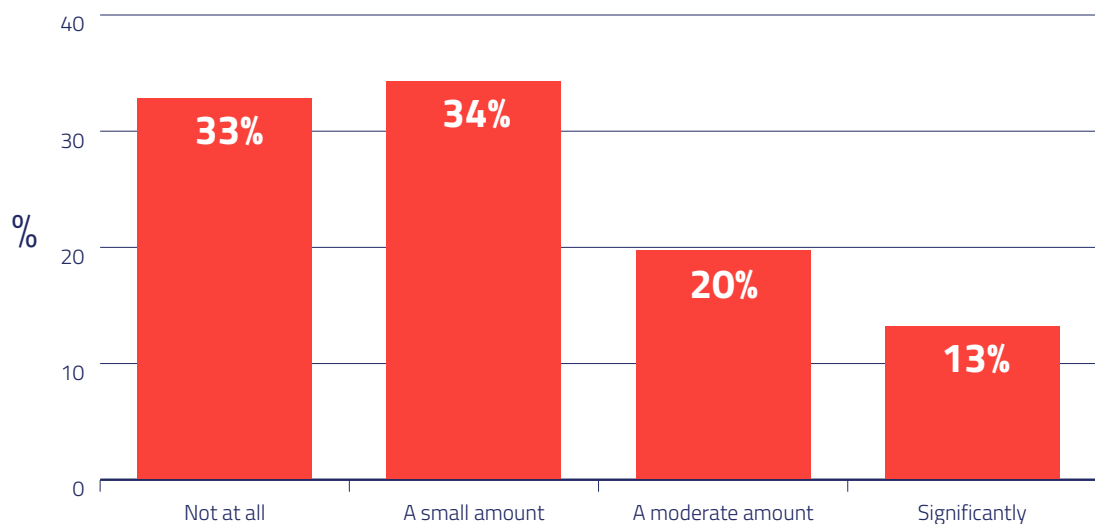


Chart 17

**Have interest rate increases over the last year impacted your business investment decisions (e.g. investing in premises, plant and equipment, business acquisitions)?**



As noted earlier, the RBA raised interest rates 10 times between April 2022 and March 2023. These hikes led to less disposable income for consumers - and most businesses are feeling the pinch, with 83.8% of survey respondents telling us their sales/revenue had been affected.



Most respondents' business investment decisions have not been affected by these increases, with the majority saying the hikes have only impacted their decision to invest a small amount (34.3%) or not at all (32.8%).

After a pause in April 2023, the RBA once again increased the interest rate by 25 basis points to 3.85%; bring it to the highest since April 2012. RBA Governor Philip Low did not rule out future increases either, saying "Some further tightening of monetary policy may be required to ensure that inflation returns to target in a reasonable timeframe."

INFLATION

Chart 18

Has inflation over the last quarter negatively impacted your business?

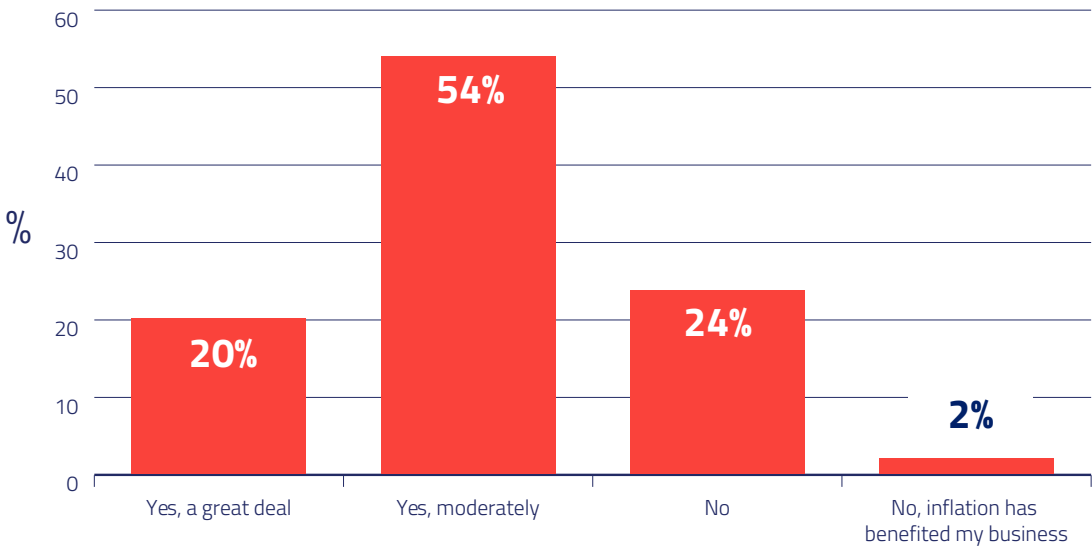
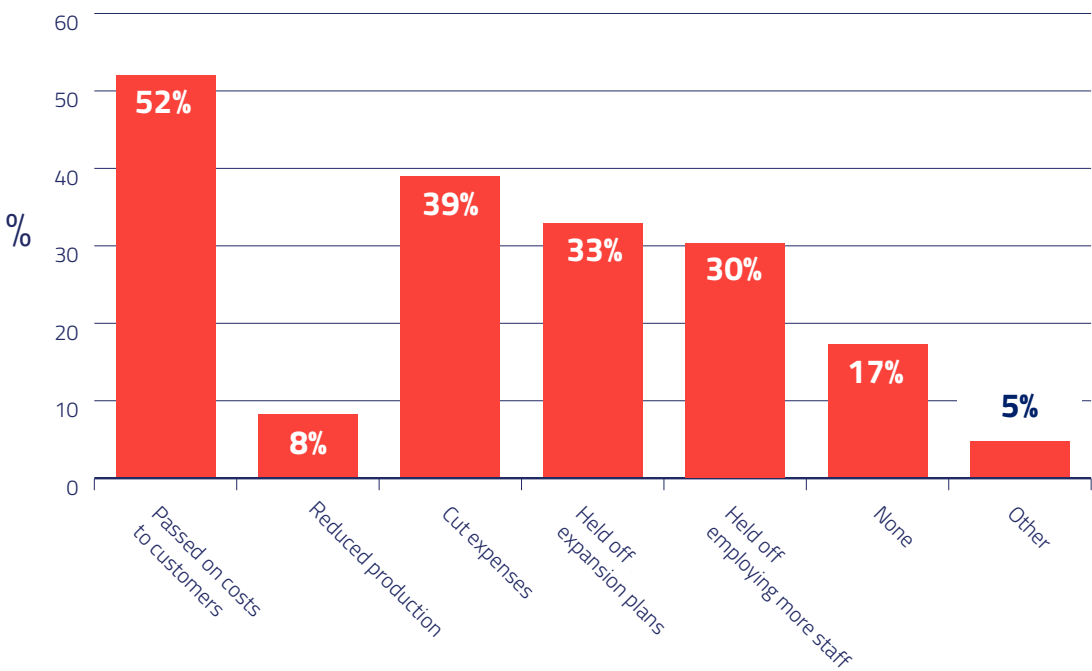


Chart 19

What steps have you taken in response to inflation?



Unlike increased interest rates, rising inflation appears to have significantly affected most business operators. Almost three-quarters (74.2%) say inflation has affected their business moderately or a great deal, with it benefiting only a very small minority (2%). In turn, over half of respondents (52%) have mitigated the impact by passing on costs onto customers but we know from speaking with our members that this is not an option for all businesses. Some are unable to increase prices due to fixed price contracts or government regulations, while others must remain competitive and ensure their goods and/or services remain appealing. As mentioned earlier, Treasurer Chalmers is hopeful that inflation has passed its peak, but it is likely to take a while before it returns to the 2-3% band targeted by the RBA.



***Reduced our profit margin to help clients***

Veterinary, 1-19 employees

***Changed packaging materials to decrease cost of goods sold.***

***We are limited with what we can pass onto customers***

Agricultural, Forestry and Fishing, 1-19 employees

***Sought consultancy to find hidden profit. Will be increasing prices in the June quarter***

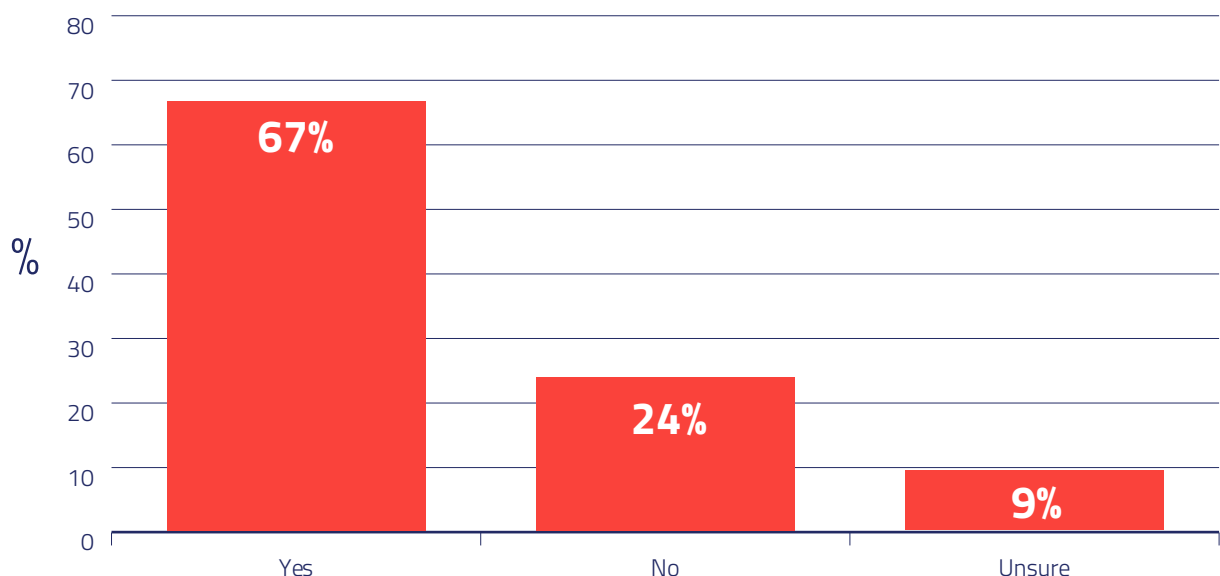
Personal and Other Service, 1-19 employees



## CYBERSECURITY

Chart 20

**Have you taken steps to improve cybersecurity in your business?**



Cybersecurity is an increasingly critical issue for businesses, particularly in the wake of the Optus, Medibank and Latitude data breaches which compromised the personal information of almost 10 million people. The Federal Government is stepping up its efforts to protect Australians and is currently considering how to streamline the country's legislation and policy on cybersecurity. This is a global issue, with the World Economic Forum (WEF) identifying cybersecurity as one of the biggest risks for businesses in 2023.

Previous surveys conducted in South Australia by other organisations have shown cyber awareness to be low among business owners. With this in mind, Business SA is especially pleased with the results of this survey showing that 66.8% of respondents have taken steps to improve cybersecurity in their business. Being prepared and proactive in this area is key, given that cyberattacks cause reputational, financial, regulatory, and legal consequences for businesses. Cybersecurity can be costly and therefore particularly challenging for small- or medium-sized businesses who, according to WEF estimates, may spend 4% or more of their operational budget on cybersecurity, compared to larger organisations who may spend around 1–2%. Comments from our respondents indicate that adopting simple measures, such as implementing two-factor authentication for passwords, updating virus protection, and transferring information from computers to cloud-based software can be highly effective. At a more advanced level options include staff training, conducting a cyber audit and developing a cyber risk plan, and either employing IT staff with cybersecurity expertise or using an external IT provider for advice .

## POPULATION

Chart 21

### Would an increased population in South Australia be beneficial for your business?

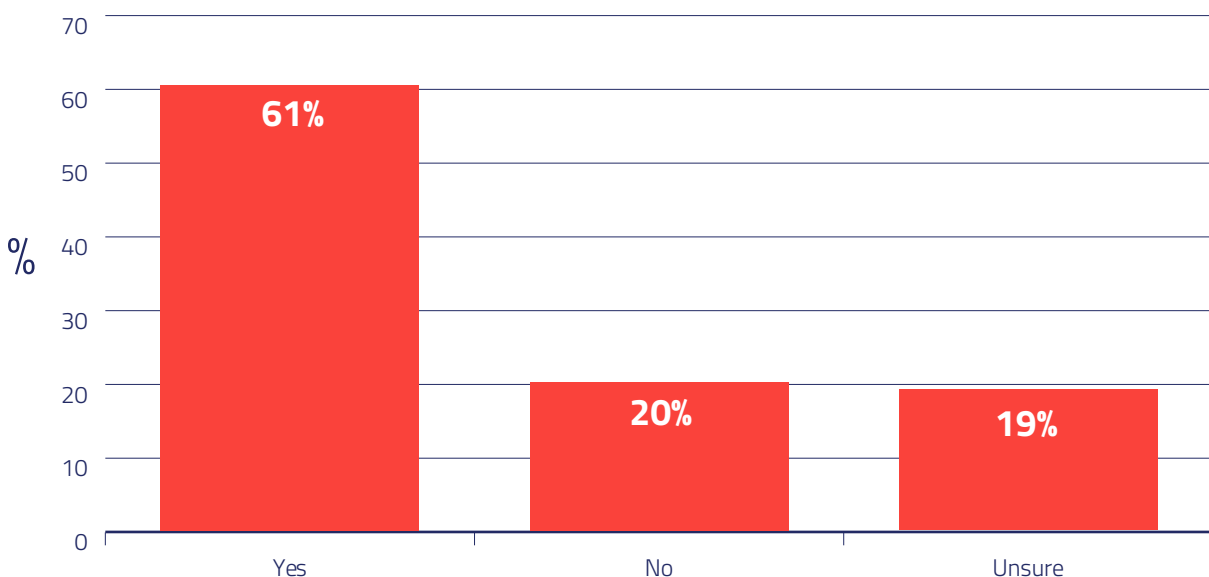


Chart 22

### Perceived benefits of population growth to South Australian businesses

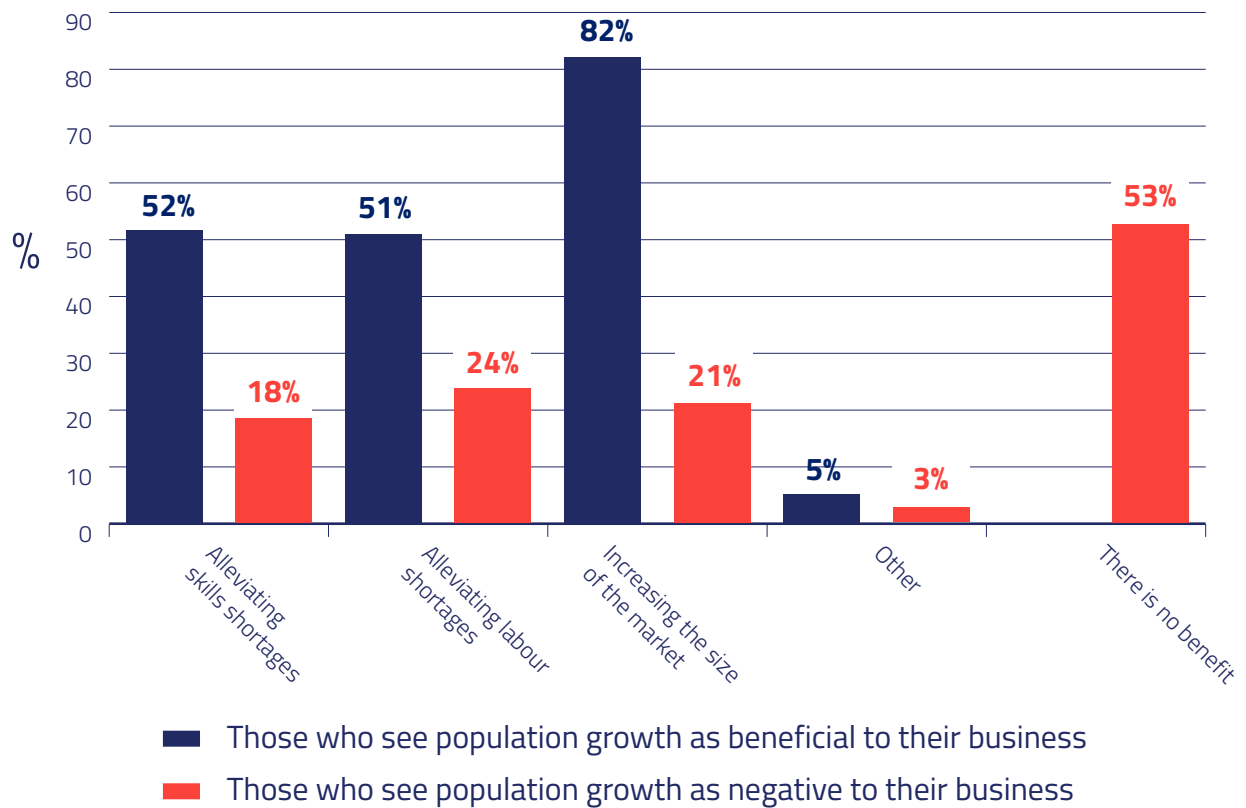
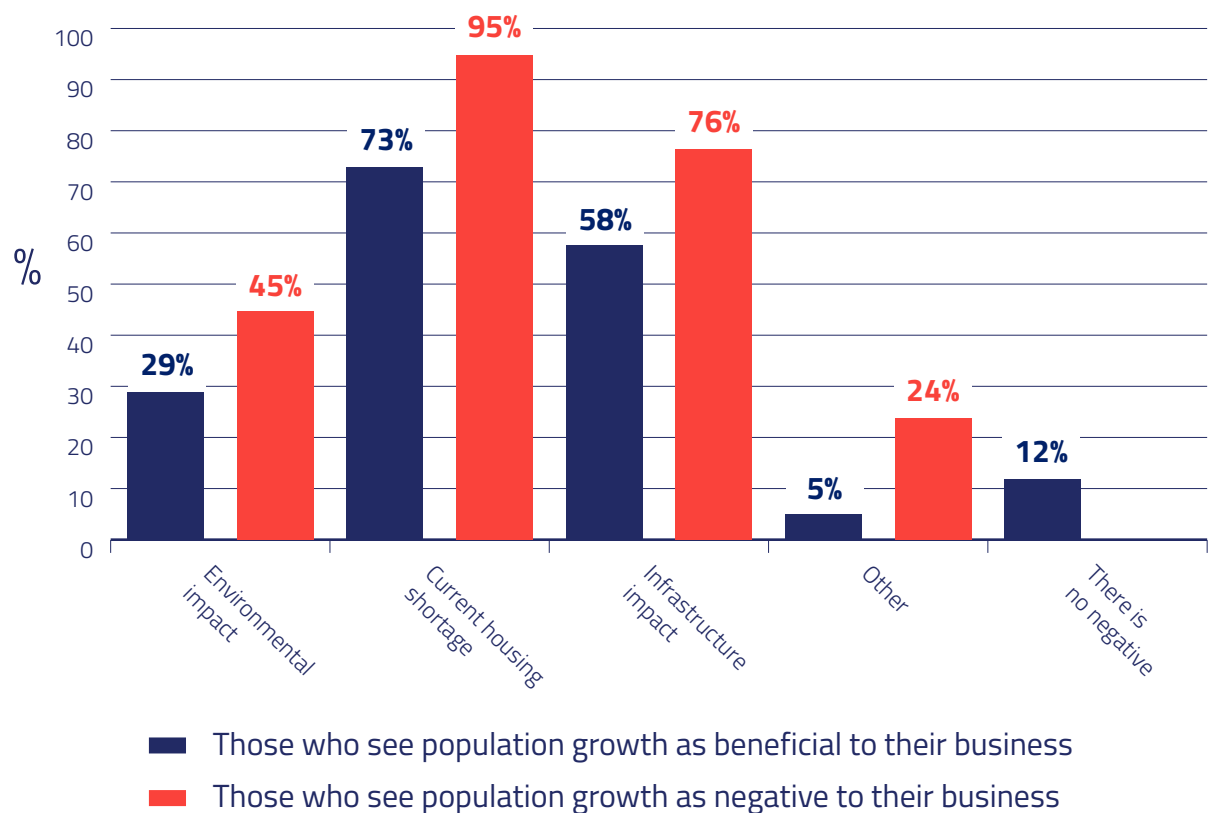


Chart 23

### Perceived negatives of population growth to South Australian businesses



Recent ABS data reveals between September 2021 and September 2022 the population of South Australia increased by 25,200 people, 19,560 of whom came via immigration from overseas. According to the Federal Treasury's *Population Statement 2022*, South Australia's population will increase from 1,800,000 to 2,000,000 by the early 2030s.

Business SA is working on a policy paper on population growth in the state, which will be launched in the near future. To inform our work, we asked respondents whether population growth would benefit their business. The majority (60.6%) would see it as beneficial, with increasing the size of the market being the main perceived benefit. Interestingly, both sets of respondents agree on the negatives of population growth, with housing selected as the primary concern, infrastructure second, and environmental impact third. We know from our research and through speaking with experts that population growth, housing, infrastructure, and the environment are related in complex ways. We look forward to sharing our findings on population growth in South Australia and how it could work in a responsible and sustainable way.

## BUSINESS ADVICE

Chart 24

### Who is your number 1 trusted advisor?

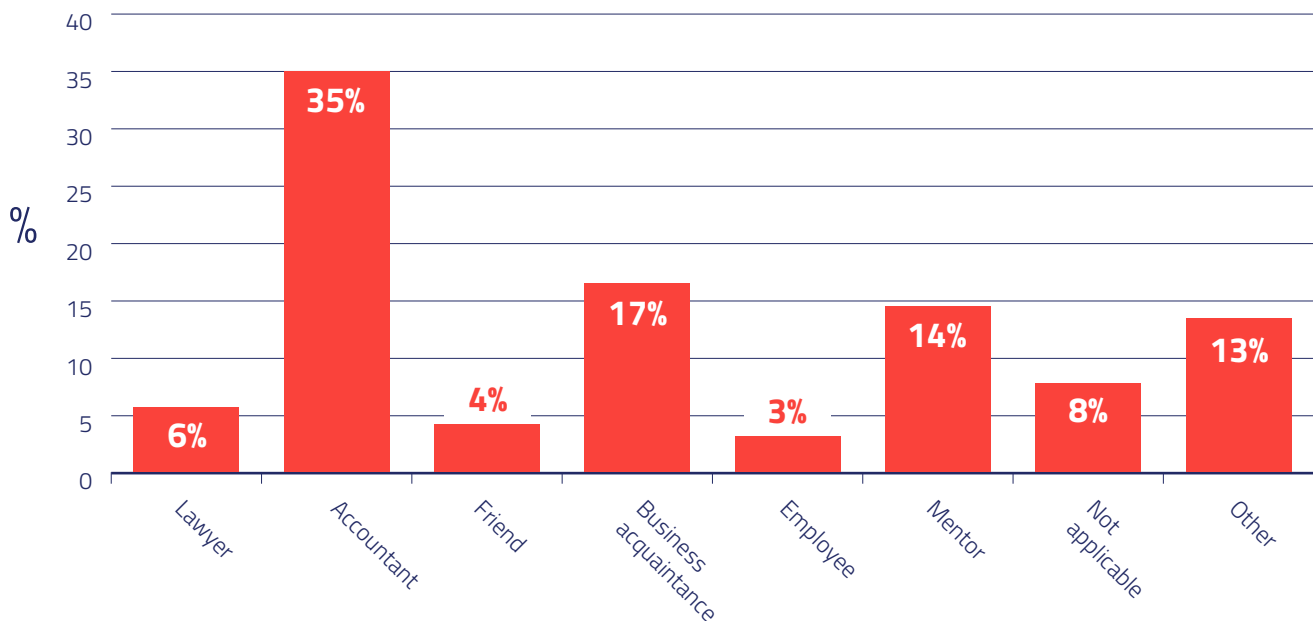




Chart 25

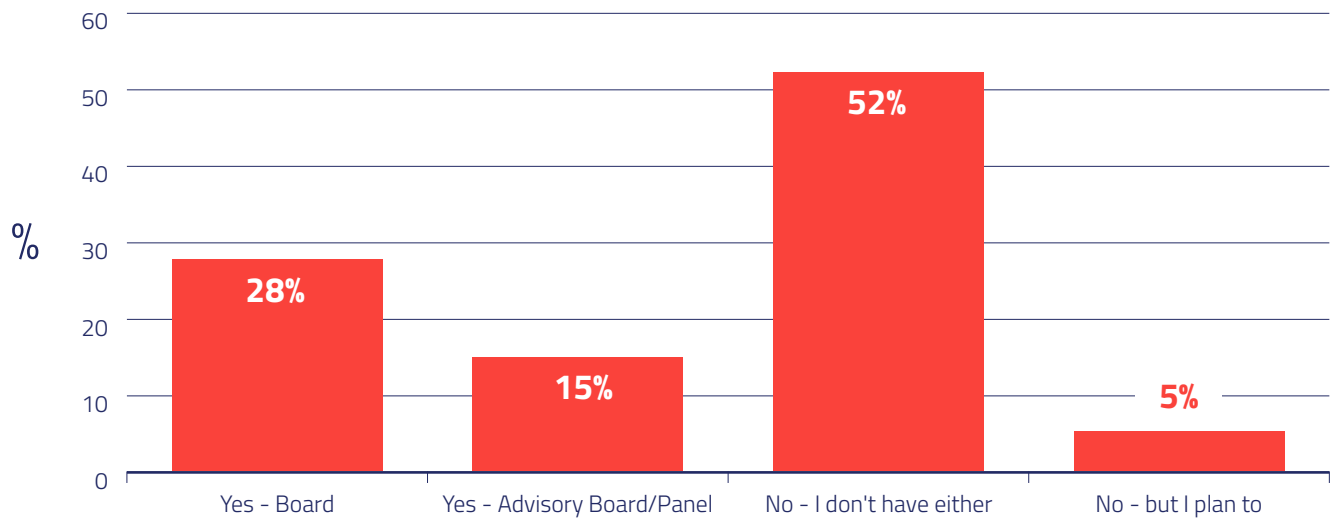
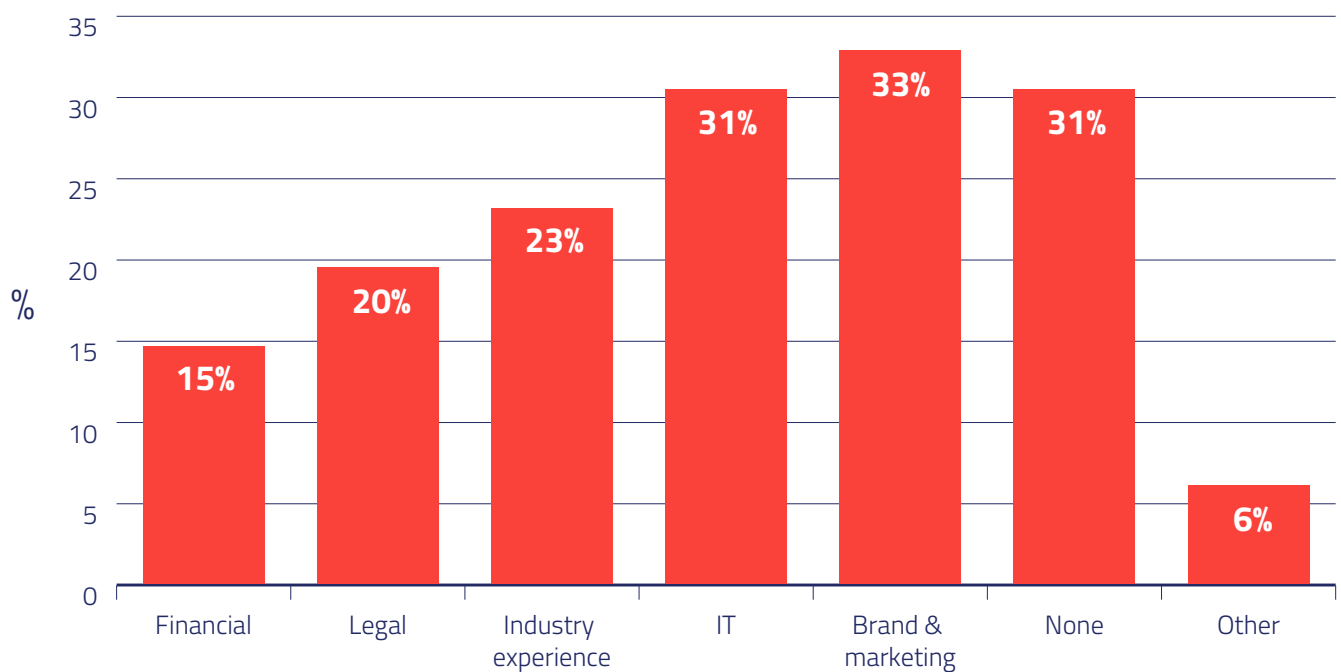
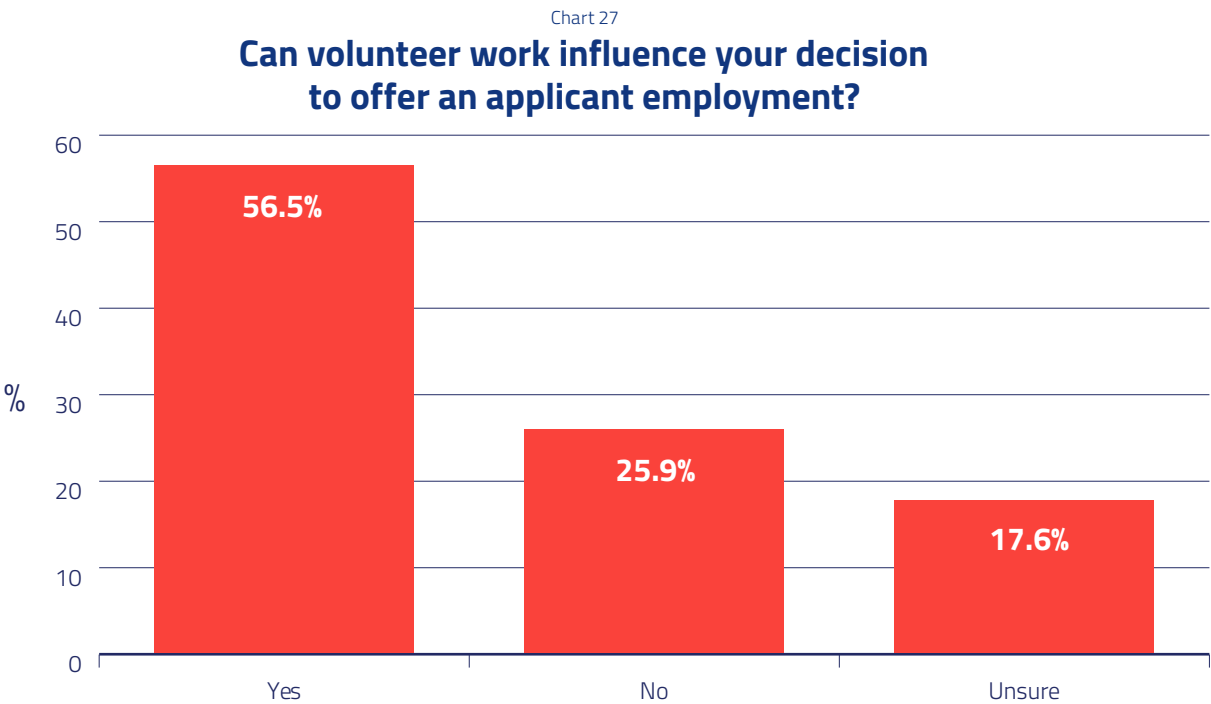
**Do you have a Board or Advisory Board/Panel?**

Chart 26

**If you have a Board or Advisory Board/Panel – what skills/experience do you believe it currently lacks?**

Sound business advice is extremely important, especially during turbulent economic times. In this edition of the survey, we asked respondents about their most trusted advisor. 'Accountant' was by far the most popular choice, selected by 35%. 'Business acquaintance' came second (16.5%) and 'Mentor' third (14.4%). We were pleased to see quite a few respondents specified 'Business SA' under 'Other'.\* Respondents also listed 'myself', 'spouse', 'banker', 'CFO' and 'consultants'.

## VOLUNTEERING



*\*Remember Business SA is here for you when you need business advice on 08 8300 0000 (option 1). Unlimited use of our Business Advice Hotline is available to all Startup, SME and Corporate members.*

### Why? (Respondents were able to select more than one option)

Demonstrates willingness to go the extra mile		71.7%
Familiar with teamwork/ability to cooperate/get along with others		70.8%
Demonstrates passion/commitment to the field and strength of character		69.8%
Not focused on themselves		52.8%
Familiar with a workplace and how it operates		46.2%
Shows they are already familiar with the field/have relevant experience		44.3%
Experience in following instructions and/or complying with regulations		29.3%
More likely to be fit and healthy		17.0%
Already have a police check		17.0%
They probably know some of the key figures in the field/have mutual contacts		10.4%
Easy to manage		8.5%
Other		7.6%

### Which is more useful to you?

Volunteering outside the field of work they are applying for?		15.1%
Volunteer work in the field (or related fields) they are applying for?		22.6%
Either, it doesn't matter		62.3%

Your success is our business.

### What types of volunteering have you found to be the most applicable to the workplace? (Respondents were able to select more than one option)

Work in the field they are applying for	45.1%
Sport coaching	40.2%
Committee membership	36.3%
Working with vulnerable/disadvantaged groups (children, elderly, lonely, disabled, CALD, low income)	36.3%
SES, CFS, Army Reserve	35.3%
Writing/accounting/other professional skills (e.g. graphic design, data analysis or event management)	25.5%
Completing tasks or disseminating information (e.g. giving talks or speeches, arranging for guest speakers)	19.6%
Other	2%

Business SA previously asked questions on volunteering in the September 2021 and December 2018 editions of the survey. Responses since 2018 have shown volunteer work on an applicant's resume can positively influence the decision to offer them employment – although the impact appears to be diminishing: 76% (2018), 63.6% (2021), and 56.5% (2023). The most commonly-chosen reason for positive influence in each survey has consistently been 'Demonstrates willingness to go extra mile'. It does not appear to matter whether a candidate's volunteer work relates to the job they are applying for – with volunteering itself being most valued: 63.9% (2018), 71.6% (2021), and 62.3% (2023). Despite this, when it comes to the workplace applicability, certain types of volunteering are valued most with a relationship to the field they are applying for scoring highest: 58.5% (2018), 42.1% (2021), and 45.1% (2023).





## **A WORD FROM WILLIAM BUCK**

---

**Jamie McKeough**

**Chair Aust/NZ and Managing Director – William Buck**

### **Despite challenges, South Australia continues to bat above average**

South Australia's business confidence and conditions are on an upward trajectory, according to the third-quarter results of Business SA and William Buck's Survey of Business Expectations. This is a positive development, especially as interest rates rise and inflation peaks.

Although 84% of businesses report interest rate rises affecting their sales revenue and 67% say they are impacting their investment decisions, South Australian businesses remain confident, sitting above national confidence levels.

This continued optimism reflects ongoing determination and trust in the state's capabilities. Recent major events, such as the biggest-ever Fringe Festival, LIV Golf, and the AFL Gather Round have positively impacted business, through an influx of interstate and international tourists, boosting hospitality and retail spending.



# WilliamBuck

ACCOUNTANTS & ADVISORS

Naturally, when large numbers of tourists come to town, some will be businesspeople. Although their visits may be largely for leisure, seeing South Australia and its expertise hosting such large events encourages investment and migration.

Although we see a marginal improvement in labour shortages this quarter, workforce availability remains a significant issue with 55% of businesses reporting issues, compared to 58 per cent last quarter. The top reasons given for difficulty finding staff are a lack of suitably skilled workers and lack of applicants for positions. Interestingly, we have seen an increased number of businesses who could not afford market wage rates. Businesses are also saying a lack of local housing is a contributing factor of the skills shortage.

A long-term solution to labour shortages would be to drive continued population growth. For a long time now, I have been an advocate for an increased emphasis on growing our state's headcount, crying out for governments to prioritise migration efficiencies and incentives to ensure South Australia follows a positive population trajectory.

This quarter, 61% of businesses saw the benefits of an increased population when asked their thoughts on the issue. A larger state population would give businesses greater market size and greater access to labour.

I appreciate some have concerns about the matter. When asked, some businesses responded with the fear an increased population may cause additional stress on housing ability, infrastructure, and the environment. These concerns are valid, but nothing that cannot be addressed as part of a measured and well-planned growth strategy.

Despite these challenges, I remain optimistic about business in South Australia. Inflationary pressures will continue to pinch, particularly for those dealing in discretionary consumer spend markets, however, businesses in South Australia have survived tougher times and will continue to do so.



Your  
success

is our  
business



# About Business SA



Business SA is SA's largest membership-based employer organisation, representing employers and business owners across 19 different industry sectors. Our purpose is to help you grow your enterprise and create a stronger South Australia.

Like you, we believe in the important roles that business and commerce play in creating a vibrant, dynamic and sustainable society.

We back the job makers and risk-takers.

We back the creators, the innovators and the entrepreneurs.

We back the people who chase their dreams, follow their passions and put it on the line.

We believe that businesses are the engine room of our economy. Businesses like yours generate new ideas, deliver new services and propel us forward. Businesses like yours create jobs, attract new investment and pay taxes.

Businesses like yours put food on tables and create wealth for many.

As the independent, representative voice for employers and business owners across South Australia, we want to create the best possible environment for you to succeed. We do this by providing you with knowledge, advice, connection and advocacy. We have been doing this for over 180 years, without fear or favour.

We're proud of our long history, and our sustainability is assured by our future-focus, our strong leadership and our intent to stay ahead of the pack. To serve you better, we constantly seek to answer that enduring question: 'what's next?'

If you are not already a member, please call or email our membership team on (08) 8300 0000 or email [customerservice@business-sa.com](mailto:customerservice@business-sa.com)



Level 1,  
136 Greenhill Road  
Unley SA 5061

T. (08) 8300 0000  
[policy@business-sa.com](mailto:policy@business-sa.com)

**[business-sa.com](http://business-sa.com)**

ABN 14 725 309 328

---